

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE
23 JUNE 2015

ANNUAL GOVERNANCE STATEMENT 2014/15

<u>Report of the:</u>	Director of Finance & Resources
<u>Contact:</u>	Gillian McTaggart
<u>Annexes/Appendices (attached):</u>	Draft Annual Governance Statement 2014/15
<u>Other available papers (not attached):</u>	None stated

REPORT SUMMARY

This Report seeks the Committee's formal approval of the Annual Governance Statement and the arrangements made for its preparation as part of the 2014/15 financial statements.

<u>RECOMMENDATION (S)</u>	<i>Notes</i>
<p>The Committee is asked to :-</p> <p>(1) Confirm the adequacy of the arrangements made for preparing the Annual Governance Statement;</p> <p>(2) Formally agree the final version to be approved by the Strategy and Resources Committee.</p>	

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Corporate Governance affects all aspects of the Council's services because it relates to the framework in which decisions are made. It is defined as the system by which local authorities direct and control their functions and relate to their communities.
- 1.2 The Annual Governance Statement underpins everything that the Council does and supports the core value of performing with openness and honesty.
- 1.3 The Committee's terms of reference covers the responsibility for review and approval of the Annual Governance Statement.

2 Background

- 2.1 The Council's governance arrangements aim to ensure that it sets and meets objectives. It acts lawfully, open and honestly. All monies and resources are accounted for, safeguarded and used economically, efficiently and effectively.
- 2.2 The Accounts and Audit (England) Regulations 2011 require that councils produce a statement to cover their whole internal control environment, both financial and non-financial. The Annual Governance Statement is designed to provide assurance concerning our governance arrangements.

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- 2.3 The Annual Governance Statement provides an overview of the Council's key governance systems and explains how they are tested and the assurances that can be relied upon to show those systems are working effectively. It also identifies opportunities to identify areas of improvement.

3 The Governance Framework

- 3.1 The Framework "Delivering Good Governance in Local Government" published by CIPFA in association with SOLACE in 2007 sets the standards for Local Authority governance in the UK. This Framework was reviewed in 2012 and an addendum issued providing further advice to encourage governance standards are the best.
- 3.2 The Council's governance framework comprises the system, processes, culture and values which direct and control and through which it accounts to, engages with and leads the community. The Local Code of Corporate Governance was updated and approved by Strategy and Resources Committee on 12 November 2013. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
- The work of internal and external audit
 - The Risk Management framework
 - Corporate Assurance Framework
 - Arrangements for Business Continuity
 - Performance Management Framework
 - Divisional Assurance statements completed annually by the Heads of Service
- 3.3 At least once a year a review must take place of the effectiveness of the systems of internal control. It is designed to manage risk at a reasonable level. The Council cannot eliminate all risk of failure to achieve policies and objectives and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risk of achievements of the Council's aims and objectives. To evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 3.4 The Annual Internal Audit Report for the year ended 31st March 2015, which is reported in more detail in a separate report to this Committee, forms a key part of corporate governance. For 2014/15, based on the work undertaken they concluded that there were adequate arrangements for the adequacy and effectiveness of the Council's risk management, internal control and governance arrangements. They identified a number of control issues which are detailed in the separate report.
- 3.5 They also provided the Direction of Travel which remained at green for governance, showed an improvement from amber to green for risk management and remained at amber for internal control.
- 3.6 The Governance Framework has been in place for the year ended 31st March 2015. The Annual Governance Statement will be considered by the Strategy and Resources Committee as part of the approval of the Statement of the Accounts. .

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- 3.7 The significant control issues identified within the 2013/14 Annual Governance statement are listed in the table below with the agreed action and the current status. A number of issues have been rolled forward into the 2014/15 Annual Governance Statement.

Significant Control Issues from 2013/14 AGS		
Issue	Agreed Action	Current Status
The Council continues to manage the ongoing financial pressures as a result of spending cuts.	Agreed Action - The 2014/15 budget provides a good platform for budget planning and the cost reduction plan will be further developed as part of 2015/16 budget. It will also monitor the effect of reduced income from regulatory changes	Rolled forward to 2014/15 AGS - Managing on-going financial pressure remains a risk.
The Council have a number of key projects planned for the future within both the revenue and capital programme. There is a risk that individual projects are not proceeded or not delivered within budget.	Action Agreed - A project manager has been appointed to help deliver key community projects and monitor of key projects will continue.	Some projects have been delivered but there is a need for the ongoing management of key projects such as Hollymoor Lane, Upper High Street Redevelopment. These are reported regularly to Statutory Officer Group.
The Council handles a significant volume of data and information. The governance and security arrangements help safeguard information and have been reviewed but action not completed.	Action Agreed Work is being undertaken to strengthen the arrangements in place. An officer group is reviewing the risks and reviewing procedures and training requirements.	Although rolled forward into 2014/15 AGS - training arrangements are in place for June 2015 which are mandatory for all staff.
The Council are housing a larger number of households in bed and breakfast accommodation due to increased demand.	Action Agreed A task force has been established to find a longer term solution for the provision of suitable temporary accommodation.	Rolled forward to 2014/15 AGS - A Homelessness project group meets fortnightly to address both demand and supply issues. A project plan is in place and the proposed allocation policy will be fully implemented by Dec 2015.
As with many smaller Council's staffing resources are stretched in a number of departments affecting the resilience and ability to deliver services.	Action Agreed - Need to review the effect of divisional restructures and reduced staffing numbers through a range of processes. Engage with staff to address key issues	Rolled forward to 2014/15 AGS. As part of embedding the new management structure, need to ensure there is adequate resilience and the correct skill sets within each department. A development programme is in place for the Leadership Team.

4 Financial and Manpower Implications

- 4.1 There are no financial or manpower implications for the purpose of this report.
- 4.2 **Chief Financial Officer's comments:** No comments for the purposes of this report.

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5 Legal Implications (including implications for matters relating to equality)

- 5.1 The AGS is a statutory requirement as set out in Regulation 4(2) of the Accounts and Audit Regulations 2011. In addition guidance for the review was issued by CIPFA / SOLACE in 2007, updated 2012.
- 5.2 External Audit will review the statement as part of the Audit of the 2014/15 financial statements
- 5.3 The Annual Governance Statement must be included with statement of accounts.
- 5.4 ***Monitoring Officer's comments:*** No comments for the purposes of this report.

6 Sustainability Policy, Partnerships and Community Safety Implications

- 6.1 There are no implications for these areas for the purposes of this report.

7 Partnerships

- 7.1 There are no implications for these areas for the purposes of this report.

8 Risk Assessment

- 8.1 The completion of the Annual Governance Statement ensures the Council's compliance with the Accounts and Audit Regulations and ensures effectiveness of the system of internal control encompassing internal audit and the role of the Scrutiny Committee as an Audit Committee.
- 8.2 The Annual Governance Statement forms an integral part of the corporate governance arrangements.
- 8.3 The significant control issues identified in the Annual Governance Statement reflect the generally high risk to the delivery of public services during a period of recession and funding cuts.

9 Conclusion and Recommendations

- 9.1 Members of the Committee are asked to confirm the adequacy of the arrangements for the compilation of the Annual Governance Statement.
- 9.2 The AGS should reflect major risks, provide an accurate representation of arrangements in place during the year and highlight areas for improvement.
- 9.3 Responsibility for authorising the statement lies with the Chief Executive and the Chairman of the Strategy and Resources Committee.

WARD(S) AFFECTED: N/A